

# HOUSE BILL REPORT

## HB 2229

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**As Reported by House Committee On:**  
Transportation

**Title:** An act relating to sales and use tax equalization payments.

**Brief Description:** Revising sales and use tax equalization payments.

**Sponsors:** Representatives Murray, Cooper, Wallace, Clibborn, Simpson, Hudgins and Hankins.

**Brief History:**

**Committee Activity:**

Transportation: 3/26/03, 3/28/03 [DP].

**Brief Summary of Bill**

- Subject to funding by the multimodal transportation account, provides payments to transit agencies whose sales tax revenues are less than 80 percent of the statewide per capita sales tax average.

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### HOUSE COMMITTEE ON TRANSPORTATION

**Majority Report:** Do pass. Signed by 21 members: Representatives Murray, Chair; Rockefeller, Vice Chair; Simpson, Vice Chair; Armstrong, Bailey, Campbell, Clibborn, Cooper, Dickerson, Flannigan, Hankins, Hatfield, Hudgins, Lovick, Morris, Romero, Shabro, Sullivan, Wallace, Wood and Woods.

**Minority Report:** Do not pass. Signed by 5 members: Representatives Ericksen, Ranking Minority Member; Jarrett, Assistant Ranking Minority Member; Anderson, Kristiansen and Nixon.

**Staff:** Gene Baxstrom (786-7303).

**Background:**

Transit agencies are authorized to impose, with voter approval, a sales and use tax of up to 0.9 percent, a business and occupation tax with a rate set by the agency, or a household/utility tax of up to \$1 per month per housing unit. Of the 25 transit agencies

in the state, 23 collect sales and use tax from 0.1 percent to 0.9 percent. For the other agencies, Pullman Transit collects a utility tax of 2.0 percent and Garfield County Public Transportation is supported by county funds. Certain agencies have sales tax collections which are well under statewide average sales tax collections.

Since 1996 sales and use tax equalization payments were authorized to transit agencies whose average per capita transit sales and use tax collections in the preceding calendar year were less than 80 percent of the statewide per capita average sales and use tax collections for that period. These transit equalization payments began in calendar year 1996 and were also applicable to transit agencies using a tax source other than the sales tax. Equalization payments could not exceed 50 percent of a transit agency's sales and use tax or other tax collections for the previous year nor could they exceed the equivalent of 0.3 percent sales tax.

Transit sales and use tax equalization was paid from motor vehicle excise tax receipts that would otherwise have been available for appropriation from the transportation fund. When legislation was enacted in the 2000 session (enacting I-695) and repealing the Motor Vehicle Excise Tax, transit equalization payments were eliminated.

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**Summary of Bill:**

Beginning January 1, 2004, until December 31, 2013, transit agencies whose tax collections are below 80 percent of the statewide weighted average per capita levels of sales and use tax are eligible for equalization payments from the multimodal transportation account. The equalization payments are based on the local transit tax rate or, in the case of agencies not utilizing the sales tax, the tax rate equivalent to the sales and use tax rate that would have generated the same amount of revenue in the previous year for that transit agency.

Equalization payments distributed by the Department of Revenue are limited to amounts appropriated by the legislation. If the eligibility of agencies exceeds available funds, revenues are to be first used to equalize up to 80 percent of a local tax rate of 0.3 percent or 80 percent of the amount necessary to equalize the local tax rate imposed by the municipality, whichever is less; and second, to equalize agencies up to 80 percent of the local tax rate imposed above 0.3 percent. In no case may equalization payments exceed the amount of revenues raised by 0.3 percent sales tax or 50 percent of local taxes collected. The tax credits and grants expire June 30, 2013. If additional funding is not provided for the Multimodal Transportation Account by January 1, 2004, the act is null and void.

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**Appropriation:** None.

**Fiscal Note:** Not Requested.

**Effective Date:** The bill takes effect on January 1, 2004. However, the bill is null and void if not funded in the budget.

**Testimony For:** Equalization payments help those transit agencies in the most economically depressed areas of the state, in those areas when sales tax receipts are far below statewide averages, and where it is most difficult to raise sales tax rates.

**Testimony Against:** None.

**Testified:** Representative Murray, prime sponsor; and Phyllis Brett, Island Transit.